

<u>DB Name</u>	<u>Query</u>	<u>Hit Count</u>	<u>Set Name</u>
USPT,JPAB,EPAB,DWPI,TDBD	(exchange or currency) adj forward\$	112	L15
USPT,JPAB,EPAB,DWPI,TDBD	(exchange or currency) adj forward\$	112	L14
USPT,JPAB,EPAB,DWPI,TDBD	l12 and (internet or network or WAN)	290	L13
USPT,JPAB,EPAB,DWPI,TDBD	currenc\$ near3 (exchang\$ or trad\$)	835	L12
USPT,JPAB,EPAB,DWPI,TDBD	currenc\$ near3 (exchang\$ or trad\$)	835	L11
USPT,JPAB,EPAB,DWPI,TDBD	(Instant adj messenger)	2	L10
USPT,JPAB,EPAB,DWPI,TDBD	l2 and (Instant adj messenger)	0	L9
USPT,JPAB,EPAB,DWPI,TDBD	l2 and Instant	22	L8
USPT,JPAB,EPAB,DWPI,TDBD	l3 and Instant	0	L7
USPT,JPAB,EPAB,DWPI,TDBD	l3 and (block\$ or exclud\$ or filter\$)	18	L6
USPT,JPAB,EPAB,DWPI,TDBD	l3 and (block\$ or exclud\$ or filter\$)	18	L5
USPT,JPAB,EPAB,DWPI,TDBD	l3 and (block\$ or exclud\$ or filter\$)	18	L4
USPT,JPAB,EPAB,DWPI,TDBD	(America adj Online) .as.	53	L3
USPT,JPAB,EPAB,DWPI,TDBD	America adj Online	319	L2
DWPI,USPT,EPAB,JPAB,TDBD	buddies adj list	3	L1

DS; SHOW FILES

Set	Items	Description
S1	16	EBAY AND (FILTER? OR BLOCK? OR EXCLUD?)
S2	6	S1 NOT PD=>19991230
S3	0	S2 AND CURRENC?
File	77	Conference Papers Index 1973-2001/Mar (c) 2001 Cambridge Sci Abs
File	35	Dissertation Abstracts Online 1861-2001/May (c) 2001 UMI
File	583	Gale Group Globalbase(TM) 1986-2001/Apr 23 (c) 2001 The Gale Group
File	65	Inside Conferences 1993-2001/Apr W4 (c) 2001 BLDSC all rts. reserv.
File	2	INSPEC 1969-2001/Apr W4 (c) 2001 Institution of Electrical Engineers
File	233	Internet & Personal Comp. Abs. 1981-2001/Apr (c) 2001 Info. Today Inc.
File	99	Wilson Appl. Sci & Tech Abs 1983-2001/Mar (c) 2001 The HW Wilson Co.
File	473	FINANCIAL TIMES ABSTRACTS 1998-2001/APR 02 (c) 2001 THE NEW YORK TIMES
File	474	New York Times Abs 1969-2001/Apr 26 (c) 2001 The New York Times
File	475	Wall Street Journal Abs 1973-2001/Apr 26 (c) 2001 The New York Times
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DS; SHOW FILES

Set	Items	Description
S1	831	EBAY AND (FILTER? OR BLOCK? OR EXCLUD?)
S2	309	S1 NOT PD=>19991230
S3	31	S2 AND CURRENC?
File	15:ABI/Inform(R)	1971-2001/Apr 25 (c) 2001 Bell & Howell
File	9:Business & Industry(R)	Jul/1994-2001/Apr 26 (c) 2001 Resp. DB Svcs.
File	623:Business Week	1985-2001/Apr W5 (c) 2001 The McGraw-Hill Companies Inc
File	810:Business Wire	1986-1999/Feb 28 (c) 1999 Business Wire
File	275:Gale Group Computer DB(TM)	1983-2001/Apr 26 (c) 2001 The Gale Group
File	624:McGraw-Hill Publications	1985-2001/Apr 26 (c) 2001 McGraw-Hill Co. Inc
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Set	Items	Description
S1	3426	EBAY AND (FILTER? OR BLOCK? OR EXCLUD?)
S2	1141	S1 NOT PD=>19991230
S3	54	S2 AND CURRENC? <i>REVERSED</i>
File 636:	Gale Group Newsletter DB(TM)	1987-2001/Apr 26 (c) 2001 The Gale Group
File 621:	Gale Group New Prod.Annou.(R)	1985-2001/Apr 26 (c) 2001 The Gale Group
File 813:	PR Newswire	1987-1999/Apr 30 (c) 1999 PR Newswire Association Inc
File 16:	Gale Group PROMT(R)	1990-2001/Apr 26 (c) 2001 The Gale Group
File 160:	Gale Group PROMT(R)	1972-1989 (c) 1999 The Gale Group
File 148:	Gale Group Trade & Industry DB	1976-2001/Apr 26 (c) 2001 The Gale Group
File 20:	World Reporter	1997-2001/Apr 27 (c) 2001 The Dialog Corporation
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DS; SHOW FILES

Set	Items	Description
S1	3096	(CURRENCY OR EXCHANGE) (N3) FORWARD?
S2	78874	(ELECTRONIC OR INTERNET OR COMPUTER?) (N3) (EXCHANG? OR TRAD- ?)
S3	173	S1 AND S2
S4	146	S3 NOT PD=>19991203
S5	141	RD (unique items)
S6	262325	5 AND (SERVER? OR WORKSTATION? OR CLIENT?)
S7	74	S5 AND (SERVER? OR WORKSTATION? OR CLIENT?)
S8	7	FXDEAL AND COGNOTEC
File	15:ABI/Inform(R)	1971-2001/Apr 25
	(c)	2001 Bell & Howell
File	9:Business & Industry(R)	Jul/1994-2001/Apr 26
	(c)	2001 Resp. DB Svcs.
File	623:Business Week	1985-2001/Apr W5
	(c)	2001 The McGraw-Hill Companies Inc
File	810:Business Wire	1986-1999/Feb 28
	(c)	1999 Business Wire
File	275:Gale Group Computer DB(TM)	1983-2001/Apr 26
	(c)	2001 The Gale Group
File	624:McGraw-Hill Publications	1985-2001/Apr 26
	(c)	2001 McGraw-Hill Co. Inc
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File	623:Business Week	1985-2001/Apr W5 (c) 2001 The McGraw-Hill Companies Inc
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UK corporates could save up to 8 billion a year by making greater use of electronic payments in business-to-business payments, according to a report prepared for UK banks. Only 50% of business-to-business payments are paid electronically, with cheques accounting for 54% of transfers, despite greater costs in stationery and administration and the payer having less ability to fix payment dates. UK companies are, however, making extensive use of electronic payments for wages, with 87% of monthly salaries paid electronically. SM

Prince cedes title

US Internet address allocator Network Solutions is revoking UK business software company Prince's worldwide web address. The address, www.prince.com, will be taken by US company Prince Sports Group. Until September 1996, Network Solutions assigned addresses permanently to the first person or organization requesting the name. It will now reallocate an address to a company that has the name registered as a US federal trademark.

Arguments over web addresses may be eased by plans to introduce a range of new suffixes to web addresses to supplement ".com", ".ac" and ".org". SM

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GEOGRAPHIC NAMES: US

DESCRIPTORS: Electronic banking; Internet; Trends; Polls & surveys;
Customer services

CLASSIFICATION CODES: 9190 (CN=United States); 9000 (CN=Short Article);
8110 (CN=Commercial banking); 5250 (CN=Telecommunications systems); 2400
(CN=Public relations)

8/9/5 (Item 5 from file: 15)
DIALOG(R) File 15:ABI/Inform(R)
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01351071 00-02058
Virtual trading becomes a reality
Hyam, Tim
Global Investor n97 PP: 13-20 Nov 1996 ISSN: 0951-3604 JRNL CODE: GLI
DOC TYPE: Journal article LANGUAGE: English LENGTH: 5 Pages
SPECIAL FEATURE: Charts
WORD COUNT: 3115

ABSTRACT: Technology is making foreign exchange (FX) services more of a commodity than ever. Electronic trading has developed fast. The banks have traded electronically on the interbank market since 1992, when a consortium headed by Citibank set up Electronic Broking Service. Banks then started to offer electronic brokerage to clients outside the interbank market, including fund managers, through proprietary trading systems. Banks' proprietary systems have been available for about 2 years.

TEXT: Why waste time on the telephone to a foreign exchange dealer when you can implement your foreign exchange deals with a few clicks of a mouse? Fund managers used to answer that the technology was not sufficiently advanced and that the systems did not allow comparison of rates. These reasons no longer apply, and spreads that the banks offer will narrow as systems allow clients to check for the cheapest rates on screen. To stay in business, the banks will have to offer something more than execution: research and other types of information tailored to meet the needs of fund managers.

Electronic trading has developed fast. The banks have traded electronically on the interbank market since 1992, when a consortium headed by Citibank set up Electronic Broking Service (EBS). Banks then started to offer

electronic brokerage to clients outside the interbank market, including fund managers, through proprietary trading systems. Banks' proprietary systems have been available for about two years.

Proprietary systems

These systems are a good marketing tool for the banks, showing the bank's price, but not those of rivals. The systems are mainly used for small trades, allowing the banks to concentrate on bigger trades, which have greater margins. For fund managers, trading on these systems is quick and easy.

The fund manager can simply survey the prices, choose a bank to deal with, key in the type of trade, currencies and amounts, and the deal is done. Transactions can be completed in a matter of seconds, far faster than making a phone call to find out rates from the bank. Confirmation and settlement can also be transacted electronically.

The latest development in electronic broking is systems that clients can use to compare prices on screen to select the best rates and trade accordingly. In October two such electronic systems became available for the first time. FXDeal, available free to all fund managers that subscribe to Bloomberg, was designed by UK software company Cognotec, which designed systems for electronic trading on the interbank market.

Another UK company, Information Internet, has designed software that can display a range of prices and make foreign exchange trading possible on the internet.

These technologies are new. So far hardly any trades for which the client has a choice of prices displayed on screen have been done. But at least some fund managers see that electronic trading will become standard.

"We can use this system now for the day-to-day trades that we have to do. Provided everyone is happy, we could use it for chunkier deals in the future," says Colin Reddie, fund manager at Scottish Amicable Investment Managers. "This is the way all trading is going, not only foreign exchange, but equity and bond trading too."

Others are waiting to see how trading on the new systems develops before committing themselves to it. Though these fund managers admit that the electronic systems are quicker to use and may allow the fund manager to get better rates, they cling to what they see as the value that a salesforce can give them. Philip Mann, fund manager at Julius Baer Investment Management in London, explains how the salespeople help him: "The information they give us is useful at all levels, from asset allocation down. The bank will have its own long-term views on currencies, which we can compare with our own, and the salespeople can help us with the timing of the transaction on the day."

If electronic trading is a way for fund managers to cut costs by processing more trades without increasing staff, banks will have to work hard to convince fund managers that they can offer them something more than a simple dealing service if they are to retain clients and keep margins at a level where they can make money.

Poor marketing

At the moment a lot of banks seem to be getting it wrong. "What concerns us most is the inability of banks to coordinate the foreign exchange product," says a foreign exchange dealer at one London fund management firm. "The banks put too much emphasis on price and speed of quote. The majority of banks think pricing is all that matters to us. Of course we want good pricing and liquidity, but we also want research and advice and service information and settlement. Most banks seem incapable of pulling it all together."

If research is to offer the fund manager something valuable, it has to be original and tailored to the fund manager's business. Says the same London foreign exchange dealer: "The best banks are those that can give us information about events in the market that are related directly to our business, rather than some useless stuff about whether EMU [European Monetary Union] is going to happen in a few years time."

Fund managers want their foreign exchange banks to understand how their investment business works. When banks get this right the fund managers appreciate it. Says Julius Baer's Mann: A large part of what we like about Citibank is the salesmen we speak to. Daniel O'Callaghan, for example, is streets ahead of others we deal with. He knows what information we are interested in and what we are not interested in. It is so much easier to deal with him. He understands the business we are in, he is aware of what kind of clients we have, and he trades accordingly."

That Citibank's salesmen win this confidence is no accident. The bank's traders are organized in sales teams dedicated to fund managers, so the service they offer is not confused with that offered to corporates or other clients. Each member of the sales team is limited to four or five clients, and will have first hand experience of how each firm works.

Getting to know you

Citibank's manager of UK sales Michael Green explains: "Every salesperson will have spent from a day to a week in the client's offices to see how that business operates. All our clients seem to take the view that the better the salespeople know them, the better they can serve them."

At each fund management firm there will be a number of people that the bank needs to deal with; the specialist currency manager is still a rare person. The salesman needs to understand what each of the people involved in the transaction wants to know: from the fund manager, to the dealer and the back office staff. Green says his team will know the different requirements of all these people.

Citibank has even employed a former fund manager to make sure the bank presents itself in the way fund managers want. Green adds: "We try to give our salespeople the best capabilities. The salespeople sit next to the fixed-income team, and know how to argue currency views from a fixed-income perspective."

The best salesmen add to the written research that banks do. One salesman who attracted praise during his time at Goldman Sachs in London was Bill Brown, who has now moved to head the foreign exchange department of AIG in Greenwich, Connecticut. He says research on economies or companies will always have holes in it which the salesman can fill. "Written research tends to be weak on politics, but politics affects the market a great deal. EMU seems to be 100% a political issue."

The salesman's view is particularly helpful when the client is foreign. Says Brown: "US investors have a different perspective on US politics from that of UK investors. You have to shift the balance of your coverage to account for that. Often the currency overweightings of US and UK firms will be opposite because they see things differently when they are in their own country."

Foreign exchange banks can attract business by providing other kinds of information. "It is not enough to tell the fund manager that a currency will appreciate or depreciate," says Brown. "Fund managers want to know how attractive such movements would be to their clients. Many salespeople think only in terms of total return, which is not of primary importance to the fund manager, who wants to beat his benchmark. If you cover a portfolio manager you have to think like a portfolio manager: fund managers are interested in someone who knows their cost structure, the fees and the

competitive environment their firms are in."

New avenues of research

Banks are differentiating their research product in other respects. Citibank's Green says he has tried to be creative. "In emerging markets, a growth area, we are looking always fund managers want to manage their currency exposure. For example, we have used quantitative skills to examine whether the country weightings in JP Morgan's Emerging Market Bond Index, which many firms use as a benchmark, make sense from a currency perspective."

At Deutsche Morgan Grenfell, product manager Albert Maasland agrees that the way in which research is carried out is evolving. He says research is becoming a two way process: the bank will tailor research according to a client's request and if this research proves interesting the bank will offer similar research to other clients. Deutsche Morgan Grenfell has also set up a partnership with consultant Frank Russell the gives fund managers a view each month of movements in other managers' asset allocation.

Such research is intended to keep fund managers loyal. Says Maasland: "If we offer a good service, that builds up trust. If we come up with the optimal trade idea, we expect to be rewarded by the fund manager doing that trade with us. The days of simply saying that we quote the best prices are gone. The quality of the bank's research counts, while the quality of the pricing is almost taken for granted."

Even with research evolving, fund managers may cease to value the bank's comments when they can save money by trading electronically. "There are times when the deal matters more than the relationship," says Roy Christie, director of Prudential Portfolio Managers. "If we had a screen giving all the prices in the market, then we would use it to identify the bank offering the best rate."

Others admit that salesmen can be helpful, but see electronic sources for the same information. Says Scottish Amicable's Reedie: "There is a risk of not getting the information from salesmen if the trading was all done online. But information on-line is getting to be as good as what you get from the salesperson."

Some types of trades seem certain to be carried out electronically and other types manually. Christie explains: "We need banks to say they will do smaller deals for us. Midland, our custodian, has a proprietary system called FX Direct and it is good for small transactions. I am convinced a lot of customers will take advantage of systems. But it is true that often deals are more complicated and we would not be able to use the system."

Citibank has offered its proprietary system FX Link for about 18 months for small trades. Says Citibank's Green: "At this stage I think that electronic execution is about efficiency. Fund managers have coupon payments, dividends and small adjustments in their portfolios that are time consuming to carry out but need to be done efficiently and professionally. For these small trades FX Link is an efficient system, and it can block trades by linking up with our confirmation and settlement system FX Match." The system also leaves the bank more time and resources to concentrate on larger trades.

The disadvantage of such proprietary systems from the fund manager's point of view is that they do not offer an on-screen comparison of rates offered by other banks. The reason that the proprietary systems do not do so is clear: clients could use a bank's system to find another bank that offers better rates.

But each bank acting independently in effect will allow banks to compare rates at different banks at the same time: a fund manager could install

proprietary screens from the three or four banks it generally deals with and so be able to compare prices. To do this would involve cramming desks with screens. But if fund managers can compare banks' prices through their proprietary systems, banks might as well allow their prices to be displayed in real time on one screen on systems such as FXDeal. Now that a number of banks have agreed to display their prices on one screen, the argument is given extra force: the banks that continue only with proprietary systems risk being left on the sidelines.

Citibank and Chase are persisting with their proprietary systems. At this stage we are not getting involved with systems such as FXDeal," says Green. "But we are abreast of what is going on with them. At the moment we think ours is the better system." But already signed up to provide real-time prices to FXDeal are BankAmerica, BZW, Lloyds, NatWest and SBC Warburg. Banks expected to join soon include Credit Agricole, Westdeutsche Landesbank, Dresdner Kleinwort Benson and Commerzbank.

So far Citibank, Chase and JP Morgan have been the banks that have managed to offer an overall service that marries research that caters for what clients want with efficient execution. That these banks have done this is shown by their consistently being ranked in the top three in almost all the categories of Global Investor's survey.

Part of the reason the three have been able to offer the overall service is that they have experience as custodians, which means that they understand how fund managers transact foreign exchange, though JP Morgan's custody business was sold to the Bank of New York last year.

Link to custody

Managing director at Chase's Global Investor Services division in London Jeff Smith is convinced that the custody and foreign exchange businesses are linked. "It is naturally more efficient for the fund manager to use its custodian for foreign exchange," he says. "And we can pay more attention to how the fund manager is operating if it is a custody client: what its hedging patterns are, what benchmark it uses, what its asset allocation is."

The custodian may also be better positioned to correct any errors that may arise in a currency trade. Says Prudential's Christie: "In cases where the covering transaction misses the custodian's deadline, the custodian can accommodate the late delivery if it is doing the foreign exchange itself. But it could not do this if a third party was involved."

The global custodians, with a network of sub-custody branches, may also be better equipped than other banks to offer foreign exchange services for more exotic currencies. Again, the survey results support this view: for Asian currencies, leading Asian custodian Standard Chartered is highly ranked.

But times are getting tougher for the custodians, and JP Morgan seems to have left the custody business at the right time. There is no longer the advantage in being a custodian that there once was, when custodians quoted significantly worse foreign exchange rates to custody clients. Chase's Smith says it does not offer worse rates, but says: "Over the past two years, trading volume has increased substantially while competition has significantly narrowed pricing."

A main reason that spreads have narrowed is that fund managers are more prepared to shop around. Head of fixed-income at Gartmore Nick Henderson confirms this: "I suppose it is natural that if you have to deal with the custodian--if you are a captive market for it--then the rates that the custodian gives will not be competitive. That is why we recommend using more banks."

Prudential's Christie holds a similar view: "I try to see my custodian as

simply another bank," he says. Rabbani Wahhab, chief investment officer of GH Asset Management, says that the custodians may have offered worse rates in the past but that they have changed their ways: "Since there was usually no hard and fast rule that we had to use the custodian, only a preference from the client, the custodians soon realized that unless their rates were competitive, they would lose all their business. Some still try it on, but we are aware of the problem and we see the rates tightening."

That fund managers are aware of the need to shop around is also shown by this years survey. Almost 80% of respondents said that their top-ranked foreign exchange bank was not their custodian.

And other banks are encouraging clients not to treat custodians differently from them. Deutsche Morgan Grenfell's senior associate director in foreign exchange sales in London Juliet Wedderburn says: "We assure fund manager clients that previously used their custodians for foreign exchange that they do not have to worry about our ability to settle foreign exchange because we have been doing it for corporations for years."

Economies of scale

If any fund managers are getting worse rates this has less to do with the type of bank they deal with, custodian or other, and more to do with the nature of the fund manager itself. Banks may give worse rates to smaller fund managers or fund managers that come to the bank for relatively small trades, of under about \$10 million.

If this is so, then poor foreign exchange rates may be the hidden cost for institutions of using a specialist fund manager. Says Gartmore's Henderson: "For small specialist managers the risk is that they will not get sufficient aggregate dealing volumes to get a high level of service. We would expect to have sufficient size to get the highest levels of service, but this may not be the case for the small firms with small volumes." Other fund managers say the banks tend to run two foreign exchange trading books: one for big clients and one for small.

But the tendency of banks to prefer bigger clients will change. This is partly because of the efficiencies that electronic trading will bring, partly because the big investors often have more complex organizational structures, so banks need to deal with more people.

"We also want to look to the future," says Maasland. "A firm that manages \$2 billion today may grow to manage \$100 billion in a few years. We want to establish solid relationships. You cannot treat smaller clients as second-class citizens."

As the needs of fund managers evolve, so the banks will have to change what they provide. Banks that can add something extra, that offer the best research and market information and that understand how a fund manager's business operates, will be rewarded with deal flow. Since the type of research that fund managers want is not necessarily the standard economics-focused currency research that foreign exchange banks have traditionally provided, the competition to win business from fund managers is perhaps more open than it has been for many years.

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COMPANY NAMES:

Electronic Broking Services
Citibank (DUNS:00-698-3704)

GEOGRAPHIC NAMES: UK

DESCRIPTORS: Polls & surveys; Statistical data; Foreign exchange;
Electronic trading; Manycompanies; Corporate profiles; Stock brokers

CLASSIFICATION CODES: 3400 (CN=Investment analysis); 9180
(CN=International); 5250 (CN=Telecommunications systems); 9175
(CN=Western Europe); 9110 (CN=Company specific); 8110 (CN=Commercial

banking)

?

CLASSIFICATION CODES: 9190 (CN=United States); 9175 (CN=Western Europe);
9000 (CN=Short Article); 5240 (CN=Software & systems); 3400
(CN=Investment analysis)

8/9/3 (Item 3 from file: 15)
DIALOG(R) File 15:ABI/Inform(R)
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01519069 01-70057
Banks to invest \$1m each in the Internet
Queree, Anne
Corporate Finance n152 PP: 11 Jul 1997 ISSN: 0958-2053 JRNLD CODE: COF
DOC TYPE: Journal article LANGUAGE: English LENGTH: 1 Pages
WORD COUNT: 1565

ABSTRACT: According to a recent survey, there will be between 600 and 700 fully functioning corporate Internet banks by the year 2000. The key benefits of Internet banking, including 24-hour access, appear to be ideally suited to the needs of corporate banking customers.

TEXT: A new survey predicts that there will be up to 700 fully functioning corporate Internet banks by 2000.

Banking over the Internet took a few knocks last month amid new worries about security for retail transactions. But corporate Internet banking is just around the corner, according to a recent study, which predicts that there will be between 600 and 700 fully functioning corporate Internet banks by the year 2000.

The key benefits of Internet banking - 24-hour access, access from multiple locations, rapid execution and service and ready access to transaction and payment histories - appear to be ideally suited to the needs of corporate banking customers, says the report, "Corporate Internet Banking, a global study of potential", from Booz Allen & Hamilton.

Last January, Booz analyzed existing corporate banking web sites and surveyed 220 financial institutions about their intentions for corporate banking services. Out of the 519 sites identified, Booz has classified only eight as "advanced sites", which offer services such as inter-account transfers, merchant processing, securities trades and foreign exchange transactions. But almost 80% of the 220 survey respondents are operating, developing or planning a corporate banking Internet site, Booz found, with banks in the top 100 planning to quadruple their current investment (to about \$1 million each) over the next three years.

Several cash management banks are developing browser-based banking systems for their corporate customers, but, initially at least, these are likely to stop short of full Internet services. Bank of Boston is working with the Belgian financial solutions company FICS to develop Signal, a Java-based system that will be launched in 1998 (see issue 148, March 1997, p36), and both Citibank and Chase look set to have products available by the end of this year.

Citi remains reticent about its plans but Chase's Sue Webb, senior vice-president with responsibility for client access and electronic commerce, says the Chase product (so far unnamed) will provide payments, FX, trust accounts and imaging services as well as information reporting services such as balances and transaction details.

Like Bank of Boston, Chase is planning to get the best from standard browser software without the security worries of the Internet by delivering a so-called extranet solution over its private network. Says Webb: "Browser-based technologies provide our customers with a way to access more services and much more data seamlessly in a single communication session." One of the major advantages for both the banks and their customers is that,

apart from the browser, no software needs to be installed at the customer site, but upgrades and patches can be downloaded at the next access, making for easier, cheaper integration within the customer's environment. At L'Oreal chooses SAP French cosmetics company L'Oreal is to install SAP's R/3 accounting software, including its treasury module, over the next two years. The software will be used by 3,000 L'Oreal staff in 70 subsidiaries in 59 countries. The aim is to standardize the group's financial processes and reporting. The R/3 components to be implemented are: financial accounting, controlling, materials management, and sales & distribution as well as treasury.

L'Oreal's chief information officer Jean-Daniel Kahn says that R/3 is well-suited to the group's structure of small subsidiaries. "It's the perfect solution for us, since it is flexible enough to meet both the needs of a small enterprise and those of a major corporate group."

The L'Oreal deal, announced at Sapphire, SAP's annual European user conference, marks SAP's 10,000th installation of R/3 since the software was launched in 1992. But until more treasurers can be persuaded of the benefits of company-wide systems integration extending into their department it will probably be a while longer until the 10,000th installation of the treasury module can be announced. MB

TransCanada takes RiskMonitor

North American natural gas transporter TransCanada PipeLines has chosen Axiom Software Laboratories' RiskMonitor system as its risk management system.

Says Cliff Howe, TransCanada's general manager of market risk management: "Axiom SL will ensure that we continue to have the ability to capture, quantify and report daily to senior management on TransCanada's market risk exposures in Canada, the US and internationally. In addition, Axiom SL will improve TransCanada's ability to perform sensitivity analyses and stress-testing situations of its large, growing and increasingly complex portfolio of market risks."

Axiom's software is used for market and credit risk management, as well as regulatory reporting functions. The technology is based on a company-wide data warehouse gathering historical, market and deal data from multiple sources in the company. SM

TMA forms payments group

The US Treasury Management Association (TMA) has formed a Payments Advisory Group to advise corporate treasurers on payment systems, and give system developers a treasurer's perspective.

Says the group's chairman, and treasurer of Chevron Products Company, David Smay: "Our goal is to strengthen TMA's influence on payments policies and serve as the link between the architects of new systems and the potential corporate users."

The group's first meeting resolved to encourage corporates to embrace fully electronic payment systems, including the abandoning of cheques in favour of electronic payments. The group also said it would lobby for improvements in US electronic payment systems.

For more information on the group, contact Arlene Chapman at the TMA, tel: +1 301 9072862. SM

FX Deal made available on intranet

Software writer Cognotec AutoDealing has launched its real-time FX Deal system on AT&T's managed intranet service. The system allows foreign exchange spot and forward pricing and execution. FX Deal was previously

used by corporates through Bloomberg Financial Markets, but will now be available without the high investment in hardware that Bloomberg requires.

FX Deal can be used to trade in spot and forward It's so easy You can e-mail cash management and treasury technology news to Corporate Finance at corpfin@dial.pipex.com. Please mark e-mails "Cash & Tech". Or fax us on +44171 779 8569.

foreign exchange markets in 90 currencies and in 3,000 currency pairs. The system produces a list of banks and their prices on a deal, and allows users to deal with their selected bank through the system.

FX Deal is being markets through the available through AT&T's UK data centre. Says Cognotec AutoDealing's chairman Brian Maccaba: "Financial organizations are notoriously unforgiving when it comes to system reliability and service. We know that AT&T's network is not only reliable and fast, but secure."

For more information, see web site www.fxdeal.com. SM

Citibank launches new Asian service

Citibank has introduced new integrated electronic banking Citibank has introduced in the Asia Pacific integrated electronic banking service in the Asia Pacific region. The system, Citibanking 97, allows treasures to manage payments, collection. The system, securities and foreign treasurers to manage transactions from a payments, collection trade, securities and foreign exchange transactions from a single window on their workstation. It will be backed up by CitiService.

Citibanking 97 is available in Thai, Korean and Chinese, and has access to all Asian giro and clearing systems. It includes the bank's accountpayable management system PayLink and its collection system SpeedCollect. It allows on-line foreign exchange matching and confirmation and can provide customized data reporting in up to 170 formats. SM

Summit integrates with Windows and SQL US risk and derivatives software writer Summit is improving its system's compatibility with Windows NT and Microsoft SQL Server. Summit's next upgrade, due in the third quarter of this year, will improve the software suite's integration with Windows NT, and provide full support for the database SQL Server. The new release will also feature a redesigned display, based on Windows. SM

Financial Services opens in Tokyo

US treasury management systems company Financial Services has set up a Japanese subsidiary, and appointed Arlo Johnson, previously a vice-president of US healthcare support company Service Masters Industries, as president. The new Tokyo office can be contacted on tel: +81 337 492 692; fax: +81 337 492 694. SM

Quantum dealer relocates

Global Information Solutions, supplier of the Quantum Treasury Management System, has moved to 7-10 Chandos Street, London W1M 9DE. The new numbers are tel: +44 171436 8855; fax: +44 171 436 8484. The firm also announces three more new clients: Kvaerner, P&O and Glencore. SM

Cerg moves

Cerg Finance, supplier of a range of cash management systems, has moved its UK office to The Lansbury Estate, 102 Lower Guildford Road, Knaphill, Woking, Surrey GU21 2EP. The new numbers are tel: +44 1483 486499; fax: +44 1483 486322. SM

Electronic payments underused

The 12 participating banks include SBC Warburg, Bank of America, Lloyds Bank, Rabobank, Commerzbank and Postipankki.

The software used by banks can also be valuable for corporates that want to automate dealing between subsidiaries and a central treasury department. The treasury can set internal rates for the individual deals and then arrange funding centrally, receiving better rates for larger amounts of each currency, but not interfering with the autonomy of the subsidiaries.

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COMPANY NAMES:

Tibco Finance Technology

DESCRIPTORS: Service introduction; Foreign exchange; Electronic trading; International finance

CLASSIFICATION CODES: 9180 (CN=International); 7500 (CN=Product planning & development); 3400 (CN=Investment analysis); 5250 (CN=Telecommunications systems); 9000 (CN=Short Article)

8/9/2 (Item 2 from file: 15)

DIALOG(R) File 15:ABI/Inform(R)

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FX Deal made available on intranet

Mathieson, Steven

Corporate Finance n152 PP: 12 Jul 1997 ISSN: 0958-2053 JRNL CODE: COF

DOC TYPE: Journal article LANGUAGE: English LENGTH: 1 Pages

WORD COUNT: 181

ABSTRACT: Cognotec AutoDealing has launched its real-time FX Deal system on AT&T's managed intranet service.

TEXT: Software writer Cognotec AutoDealing has launched its real-time FX Deal system on AT&T's managed intranet service. The system allows foreign exchange spot and forward pricing and execution. FX Deal was previously used by corporates through Bloomberg Financial Markets, but will now be available without the high investment in hardware that Bloomberg requires.

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For more information, see web site www.fxdeal.com. SM

Sidebar:

It's so easy You can e-mail cash management and treasury technology news to Corporate Finance at corpfinc@dial.pipex.com. Please mark e-mails "Cash & Tech". Or fax us on +44171 779 8569.

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COMPANY NAMES:

Cognotec

AT&T Corp (DUNS:00-698-0080 TICKER:T)

GEOGRAPHIC NAMES: US; UK

DESCRIPTORS: Software packages; Intranets; Foreign exchange markets

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FX Deal can be used to trade in spot and forward It's so easy You can e-mail cash management and treasury technology news to Corporate Finance at corpfin@dial.pipex.com. Please mark e-mails "Cash & Tech". Or fax us on +44171 779 8569.

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Electronic payments underused

t 7/9/4,16,17,49

7/9/4 (Item 4 from file: 15)
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01962262 46921462

Euro-CP takes to the Web

Peterson, Michael

Euromoney n367 PP: 8-10 Nov 1999 ISSN: 0014-2433 JRNL CODE: ERM
DOC TYPE: Periodical; Feature LANGUAGE: English RECORD TYPE: Fulltext
WORD COUNT: 1229

ABSTRACT: An often neglected corner of the debt capital markets, Euro-CP is proving a breeding ground for ideas that challenge the entire business model that has long been used for selling bonds. There is nothing inevitable about the current practice, in which the sales teams of a dozen different banks bombard investors with telephone calls proposing deals. It is the sort of sales-oriented business model commonly found in markets where products are highly differentiated, complicated and expensive. That is the logic behind several initiatives to shift parts of the debt market onto on-line systems which allow the investor to take the initiative.

TEXT: Those unassuming folk who work on the commercial paper desk of many banks are quietly tearing up the rule book about how debt securities are sold. An often neglected corner of the debt capital markets, Euro-CP is proving a breeding ground for ideas that challenge the entire business model that has long been used for selling bonds.

There is nothing inevitable about the current practice, in which the sales teams of a dozen different banks bombard investors with telephone calls proposing deals. It is the sort of sales-oriented business model commonly found in markets where products are highly differentiated, complicated and expensive, such as cars, telephone systems or personal pensions. But simpler, more standardized products are usually sold in quite a different way. A greengrocer, for example, puts his efforts into ensuring that fruit and vegetables are visible, clearly labelled and accessible and then simply waits for customers to pick up what they want.

That is the logic behind several initiatives to shift parts of the debt markets onto on-line systems which allow the investor to take the initiative. With dealer spreads falling to one or two basis points for many issues, the Euro-CP market is, apart from government debt, the most commoditized part of the debt markets.

Most investors care little about which issuer they lend to, so long as a borrower of the right credit rating can supply paper of the right maturity in the right currency (though it also helps if the borrower has already been approved by the investor's credit committee). They don't expect to pay much to the intermediary who puts them in touch with that issuer. As a result, it is becoming ever harder to justify the costs of employing a CP sales force.

Earlier this year Warburg Dillon Read took the plunge. The firm got rid of much of its CP sales force and set up a website to allow investors to see what levels borrowers are prepared to issue at on any given day. Some rivals dismiss the new system as no more than a gimmick designed to disguise Warburg's retreat from the CP market and suggest that the firm has lost market share since slashing its sales force. That is a suggestion Warburg fiercely denies, insisting that it remains committed to the CP market and that it has picked up business by using the new system.

Last month Barclays Capital launched its own Euro-CP website, but Louise

Mason, associate director at the firm, insists that Barclays will not be sacking sales staff. "If anything, we will be increasing our sales team," she says. And last month Warburg Dillon Read also launched an MTN website to complement its CP site, as the first step in a plan to extend the concept to new markets.

Colin Withers, head of EuroCP at Citibank, remains somewhat sceptical of internet-based trading systems. "Most clients want displays, but they still prefer to deal by telephone," he says.

But Stuart Clenaghan, executive director of fixed-income distribution at Warburg Dillon Read, believes the new websites offer a better service to investors than the old way of doing things. Previously, if an investor expressed an interest in buying, say, three-month sterling-denominated commercial paper yielding a certain level, a salesman would put together a list of potential issuers manually and fax it to the client. If there were no natural issuers of sterling in that maturity he would price in a currency swap, working out the rate on a calculator. The whole process could easily take 30 minutes.

Using either Warburg's or Barclays' websites an investor can quickly sort the list of CP borrowers by name, currency, credit rating and other criteria. But then comes the slow part. If the investor wants to trade, he still usually phones through his order.

The holy grail of web-based dealing is straight-through processing. Using Barclays' system the investor can make his order by e-mail and in the Warburg version he can communicate directly with the CP trader using a chat facility. But both systems fail the coffee-break test. If the bankers are taking a coffee break, the trade doesn't get done.

But straight-through processing is tricky for legal rather than technical reasons. Unless the bank puts its own balance sheet on the line for every deal, each trade needs to be confirmed by the issuer. Both Mason and Clenaghan hint that they are working on ways to fully automate the process.

For now, these systems are more like window displays than weigh-and-pay vegetable stalls. And competitors scoff that they have had a perfectly adequate means for several years of letting investors know the levels issuers are prepared to trade at. Most banks post their levels on a Bloomberg page. But Clenaghan says Bloomberg does not have the flexibility of an HTML-based system. "The format on Bloomberg is limiting," he says. "Investors can sort it but it is more complicated than on our website."

Mason at Barclays Capital points out that only larger institutional investors have a Bloomberg screen. "We want all investors, including corporates for example, to have access to these prices," she says. "The internet is something that everyone has on their desks."

And what is more important, Bloomberg's system is geared up to use only one currency. Banks have to post a separate entry for the levels of each issuer in each currency. That is not a problem in the US domestic market where all trades are in dollars, but international investors often need to buy commercial paper in conjunction with a foreign exchange swap.

On their websites, Warburg Dillon Read and Barclays Capital allow spot and forward foreign exchange prices to feed into the CP prices, so an investor can get a price instantly for any combination of issuer and currency he chooses. If he wants to buy sixmonth British Telecom paper in euros, a currency BT would not normally issue, he can find a price.

Likewise, on Warburg's new website, MTN prices interact with interest rate swaps and currency basis swaps, to provide prices for issues swapped into the investor's preferred currency.

Where these websites differ from other attempts to move debt trading

UK corporates could save up to 8 billion a year by making greater use of electronic payments in business-to-business payments, according to a report prepared for UK banks. Only 50% of business-to-business payments are paid electronically, with cheques accounting for 54% of transfers, despite greater costs in stationery and administration and the payer having less ability to fix payment dates. UK companies are, however, making extensive use of electronic payments for wages, with 87% of monthly salaries paid electronically. SM
Prince cedes title

US Internet address allocator Network Solutions is revoking UK business software company Prince's worldwide web address. The address, www.prince.com, will be taken by US company Prince Sports Group. Until September 1996, Network Solutions assigned addresses permanently to the first person or organization requesting the name. It will now reallocate an address to a company that has the name registered as a US federal trademark.

Arguments over web addresses may be eased by plans to introduce a range of new suffixes to web addresses to supplement ".com", ".ac" and ".org". SM

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GEOGRAPHIC NAMES: US

DESCRIPTORS: Electronic banking; Internet; Trends; Polls & surveys;
Customer services

CLASSIFICATION CODES: 9190 (CN=United States); 9000 (CN=Short Article);
8110 (CN=Commercial banking); 5250 (CN=Telecommunications systems); 2400
(CN=Public relations)

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01351071 00-02058
Virtual trading becomes a reality
Hyam, Tim
Global Investor n97 PP: 13-20 Nov 1996 ISSN: 0951-3604 JRNL CODE: GLI
DOC TYPE: Journal article LANGUAGE: English LENGTH: 5 Pages
SPECIAL FEATURE: Charts
WORD COUNT: 3115

ABSTRACT: Technology is making foreign exchange (FX) services more of a commodity than ever. Electronic trading has developed fast. The banks have traded electronically on the interbank market since 1992, when a consortium headed by Citibank set up Electronic Broking Service. Banks then started to offer electronic brokerage to clients outside the interbank market, including fund managers, through proprietary trading systems. Banks' proprietary systems have been available for about 2 years.

TEXT: Why waste time on the telephone to a foreign exchange dealer when you can implement your foreign exchange deals with a few clicks of a mouse? Fund managers used to answer that the technology was not sufficiently advanced and that the systems did not allow comparison of rates. These reasons no longer apply, and spreads that the banks offer will narrow as systems allow clients to check for the cheapest rates on screen. To stay in business, the banks will have to offer something more than execution: research and other types of information tailored to meet the needs of fund managers.

Electronic trading has developed fast. The banks have traded electronically on the interbank market since 1992, when a consortium headed by Citibank set up Electronic Broking Service (EBS). Banks then started to offer

If research is to offer the fund manager something valuable, it has to be original and tailored to the fund manager's business. Says the same London foreign exchange dealer: "The best banks are those that can give us information about events in the market that are related directly to our business, rather than some useless stuff about whether EMU [European Monetary Union] is going to happen in a few years time."

Fund managers want their foreign exchange banks to understand how their investment business works. When banks get this right the fund managers appreciate it. Says Julius Baer's Mann: A large part of what we like about Citibank is the salesmen we speak to. Daniel O'Callaghan, for example, is streets ahead of others we deal with. He knows what information we are interested in and what we are not interested in. It is so much easier to deal with him. He understands the business we are in, he is aware of what kind of clients we have, and he trades accordingly."

That Citibank's salesmen win this confidence is no accident. The bank's traders are organized in sales teams dedicated to fund managers, so the service they offer is not confused with that offered to corporates or other clients. Each member of the sales team is limited to four or five clients, and will have first hand experience of how each firm works.

Getting to know you

Citibank's manager of U K sales Michael Green explains: "Every salesperson will have spent from a day to a week in the client's offices to see how that business operates. All our clients seem to take the view that the better the salespeople know them, the better they can serve them."

At each fund management firm there will be a number of people that the bank needs to deal with; the specialist currency manager is still a rare person. The salesman needs to understand what each of the people involved in the transaction wants to know: from the fund manger, to the dealer and the back office staff. Green says his team will know the different requirements of all these people.

Citibank has even employed a former fund manager to make sure the bank presents itself in the way fund managers want. Green adds: "We try to give our salespeople the best capabilities. The salespeople sit next to the fixed-income team, and know how to argue currency views from a fixed-income perspective."

The best salesmen add to the written research that banks do. One salesman who attracted praise during his time at Goldman Sachs in London was Bill Brown, who has now moved to head the foreign exchange department of AIG in Greenwich, Connecticut. He says research on economies or companies will always have holes in it which the salesman can fill. "Written research tends to be weak on politics, but politics affects the market a great deal. EMU seems to be 100% a political issue."

The salesman's view is particularly helpful when the client is foreign. Says Brown: "US investors have a different perspective on US politics from that of UK investors. You have to shift the balance of your coverage to account for that. Often the currency overweightings of US and UK firms will be opposite because they see things differently when they are in their own country."

Foreign exchange banks can attract business by providing other kinds of information. "It is not enough to tell the fund manager that a currency will appreciate or depreciate," says Brown. "Fund managers want to know how attractive such movements would be to their clients. Many salespeople think only in terms of total return, which is not of primary importance to the fund manager, who wants to beat his benchmark. If you cover a portfolio manager you have to think like a portfolio manager: fund managers are interested in someone who knows their cost structure, the fees and the

competitive environment their firms are in."

New avenues of research

Banks are differentiating their research product in other respects. Citibank's Green says he has tried to be creative. "In emerging markets, a growth area, we are looking always fund managers want to manage their currency exposure. For example, we have used quantitative skills to examine whether the country weightings in JP Morgan's Emerging Market Bond Index, which many firms use as a benchmark, make sense from a currency perspective."

At Deutsche Morgan Grenfell, product manager Albert Maasland agrees that the way in which research is carried out is evolving. He says research is becoming a two way process: the bank will tailor research according to a client's request and if this research proves interesting the bank will offer similar research to other clients. Deutsche Morgan Grenfell has also set up a partnership with consultant Frank Russell the gives fund managers a view each month of movements in other managers' asset allocation.

Such research is intended to keep fund managers loyal. Says Maasland: "If we offer a good service, that builds up trust. If we come up with the optimal trade idea, we expect to be rewarded by the fund manager doing that trade with us. The days of simply saying that we quote the best prices are gone. The quality of the bank's research counts, while the quality of the pricing is almost taken for granted."

Even with research evolving, fund managers may cease to value the bank's comments when they can save money by trading electronically. "There are times when the deal matters more than the relationship," says Roy Christie, director of Prudential Portfolio Managers. "If we had a screen giving all the prices in the market, then we would use it to identify the bank offering the best rate."

Others admit that salesmen can be helpful, but see electronic sources for the same information. Says Scottish Amicable's Reedie: "There is a risk of not getting the information from salesmen if the trading was all done online. But information on-line is getting to be as good as what you get from the salesperson."

Some types of trades seem certain to be carried out electronically and other types manually. Christie explains: "We need banks to say they will do smaller deals for us. Midland, our custodian, has a proprietary system called FX Direct and it is good for small transactions. I am convinced a lot of customers will take advantage of systems. But it is true that often deals are more complicated and we would not be able to use the system."

Citibank has offered its proprietary system FX Link for about 18 months for small trades. Says Citibank's Green: "At this stage I think that electronic execution is about efficiency. Fund managers have coupon payments, dividends and small adjustments in their portfolios that are time consuming to carry out but need to done efficiently and professionally. For these small trades FX Link is an efficient system, and it can block trades by linking up with our confirmation and settlement system FX Match." The system also leaves the bank more time and resources to concentrate on larger trades.

The disadvantage of such proprietary systems from the fund manager's point of view is that they do not offer an on-screen comparison of rates offered by other banks. The reason that the proprietary systems do not do so is clear: clients could use a bank's system to find another bank that offers better rates.

But each bank acting independently in effect will allow banks to compare rates at different banks at the same time: a fund manager could install

proprietary screens from the three or four banks it generally deals with and so be able to compare prices. To do this would involve cramming desks with screens. But if fund managers can compare banks' prices through their proprietary systems, banks might as well allow their prices to be displayed in real time on one screen on systems such as FXDeal. Now that a number of banks have agreed to display their prices on one screen, the argument is given extra force: the banks that continue only with proprietary systems risk being left on the sidelines.

Citibank and Chase are persisting with their proprietary systems. At this stage we are not getting involved with systems such as FXDeal," says Green. "But we are abreast of what is going on with them. At the moment we think ours is the better system." But already signed up to provide real-time prices to FXDeal are BankAmerica, BZW, Lloyds, NatWest and SBC Warburg. Banks expected to join soon include Credit Agricole, Westdeutsche Landesbank, Dresdner Kleinwort Benson and Commerzbank.

So far Citibank, Chase and JP Morgan have been the banks that have managed to offer an overall service that marries research that caters for what clients want with efficient execution. That these banks have done this is shown by their consistently being ranked in the top three in almost all the categories of Global Investor's survey.

Part of the reason the three have been able to offer the overall service is that they have experience as custodians, which means that they understand how fund managers transact foreign exchange, though JP Morgan's custody business was sold to the Bank of New York last year.

Link to custody

Managing director at Chase's Global Investor Services division in London Jeff Smith is convinced that the custody and foreign exchange businesses are linked. "It is naturally more efficient for the fund manager to use its custodian for foreign exchange," he says. "And we can pay more attention to how the fund manager is operating if it is a custody client: what its hedging patterns are, what benchmark it uses, what its asset allocation is."

The custodian may also be better positioned to correct any errors that may arise in a currency trade. Says Prudential's Christie: "In cases where the covering transaction misses the custodian's deadline, the custodian can accommodate the late delivery if it is doing the foreign exchange itself. But it could not do this if a third party was involved."

The global custodians, with a network of sub-custody branches, may also be better equipped than other banks to offer foreign exchange services for more exotic currencies. Again, the survey results support this view: for Asian currencies, leading Asian custodian Standard Chartered is highly ranked.

But times are getting tougher for the custodians, and JP Morgan seems to have left the custody business at the right time. There is no longer the advantage in being a custodian that there once was, when custodians quoted significantly worse foreign exchange rates to custody clients. Chase's Smith says it does not offer worse rates, but says: "Over the past two years, trading volume has increased substantially while competition has significantly narrowed pricing."

A main reason that spreads have narrowed is that fund managers are more prepared to shop around. Head of fixed-income at Gartmore Nick Henderson confirms this: "I suppose it is natural that if you have to deal with the custodian--if you are a captive market for it--then the rates that the custodian gives will not be competitive. That is why we recommend using more banks."

Prudential's Christie holds a similar view: "I try to see my custodian as

simply another bank," he says. Rabbani Wahhab, chief investment officer of GH Asset Management, says that the custodians may have offered worse rates in the past but that they have changed their ways: "Since there was usually no hard and fast rule that we had to use the custodian, only a preference from the client, the custodians soon realized that unless their rates were competitive, they would lose all their business. Some still try it on, but we are aware of the problem and we see the rates tightening."

That fund managers are aware of the need to shop around is also shown by this years survey. Almost 80% of respondents said that their top-ranked foreign exchange bank was not their custodian.

And other banks are encouraging clients not to treat custodians differently from them. Deutsche Morgan Grenfell's senior associate director in foreign exchange sales in London Juliet Wedderburn says: "We assure fund manager clients that previously used their custodians for foreign exchange that they do not have to worry about our ability to settle foreign exchange because we have been doing it for corporations for years."

Economies of scale

If any fund managers are getting worse rates this has less to do with the type of bank they deal with, custodian or other, and more to do with the nature of the fund manager itself. Banks may give worse rates to smaller fund managers or fund managers that come to the bank for relatively small trades, of under about \$10 million.

If this is so, then poor foreign exchange rates may be the hidden cost for institutions of using a specialist fund manager. Says Gartmore's Henderson: "For small specialist managers the risk is that they will not get sufficient aggregate dealing volumes to get a high level of service. We would expect to have sufficient size to get the highest levels of service, but this may not be the case for the small firms with small volumes." Other fund managers say the banks tend to run two foreign exchange trading books: one for big clients and one for small.

But the tendency of banks to prefer bigger clients will change. This is partly because of the efficiencies that electronic trading will bring, partly because the big investors often have more complex organizational structures, so banks need to deal with more people.

"We also want to look to the future," says Maasland. "A firm that manages \$2 billion today may grow to manage \$100 billion in a few years. We want to establish solid relationships. You cannot treat smaller clients as second-class citizens."

As the needs of fund managers evolve, so the banks will have to change what they provide. Banks that can add something extra, that offer the best research and market information and that understand how a fund manager's business operates, will be rewarded with deal flow. Since the type of research that fund managers want is not necessarily the standard economics-focused currency research that foreign exchange banks have traditionally provided, the competition to win business from fund managers is perhaps more open than it has been for many years.

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COMPANY NAMES:

Electronic Broking Services
Citibank (DUNS:00-698-3704)

GEOGRAPHIC NAMES: UK

DESCRIPTORS: Polls & surveys; Statistical data; Foreign exchange;
Electronic trading; Manycompanies; Corporate profiles; Stock brokers

CLASSIFICATION CODES: 3400 (CN=Investment analysis); 9180
(CN=International); 5250 (CN=Telecommunications systems); 9175
(CN=Western Europe); 9110 (CN=Company specific); 8110 (CN=Commercial

banking)
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share," he says.

A more recent London success story is a firm called Sunrise. Five years ago Mike Hudson, its founder, saw an opportunity in equity index options. "When we set up, there wasn't a market," he says. "Since then our revenue has doubled every year. I see revenues going up and up and up. The only thing that will stop it is some sort of regulatory change." But Hudson is aware that Sunshine will have to adapt, since firms like Prebon Yamane and Trio are moving into the area. "It's a bit like a product life cycle curve. As a market gets more deep and liquid you get more conservative institutions coming in." And, by definition, more brokers. So Sunrise has moved into over-the-counter options markets in aluminium, gold and other metals. "We want a market with the same kind of margins and volume relatively underdeveloped," Hudson says.

But for most firms, the outlook is pretty dismal. Their trials have been reflected in their stock market performance. Trio's share price was 50p early in 1994 but hit a low of 6p and is now only 7.5p. Exco's was 200p in September 1994 and is now only 120p. Other firms, such as Intercontinental Exchange Partners and Cedar Street in Switzerland, have gone out of business altogether. Not surprisingly merger rumours are flying: will it be Prebon and Marshall, or Exco and Marshall -- or Marshall and Trio? Will MAI demerge Harlow Butler and Garban as it concentrates on its flashy new media business? What about Tullett? The problem for most of these firms is that even though they can be major cash cows, they are difficult to value because their biggest asset is goodwill. A number of them, still burdened with debt from the last round of mergers and takeovers, now technically have negative net worth. One thing is certain. Brokers are keeping a close eye on each other's balance sheets that is, once the companies have got around to filing them.

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7/9/49 (Item 11 from file: 810)

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THOMAS COOK NETSCAPE: Netscape First to Trade Currencies Online Via Thomas Cook's Virtual Trading Desk

February 14, 1997

Ticker Symbol: NSCP
Byline: Business Editors & Hi-Tech Writers
Dateline: TORONTO, Ontario
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TORONTO, Ontario--(BUSINESS WIRE)--February 14, 1997--Worldwide travel and financial services company Thomas Cook today announced that Netscape Communications Corporation (Nasdaq: NSCP) was the first corporate customer to exchange foreign currencies via Thomas Cook's "Virtual Trading Desk," at www.fx4business.com. The Virtual Trading Desk enables Thomas Cook for the first time to offer online, real-time foreign currency exchange over the Internet.

"Conducting business over the Internet is important to Netscape. Thomas Cook's Virtual Trading Desk will enable us to make business

transactions, such as an international payment to a supplier, from Internet-ready computers worldwide. Netscape looks forward to taking advantage of this service because of its convenience and flexibility," said Dana Stalder, Director of Financial Planning at Netscape Communications Corporation.

"The Virtual Trading Desk responds to present workplace trends that dictate more time away from the office by enabling our customers to make secure international payments from any Internet-ready computer in the world," said Yasser El-Riffaey, Thomas Cook's Senior Vice President Corporate Financial Services, North America.

"We believe our philosophy of innovation through the application of state-of-the-art technology is in line with Netscape's business approach, and we are delighted to have them as our first online corporate customer. In addition, we are using Netscape Enterprise Server and Secure Socket Layers (SSL) technology to protect Virtual Trading Desk transactions. We believe these products allow us to provide the most advanced services and protection available for our Virtual Trading Desk," said Philip Walker, Director of Strategies Implementation, Thomas Cook Corporate Services, North America.

"Since our founding in 1841, our business has continued to grow based on innovative, trend-setting ideas. Just as Thomas Cook's first railroad excursion that set the precedent for modern tourism, we expect the Virtual Trading Desk to introduce a new standard for the management of international transactions," said John van Aken, Executive Vice President, Thomas Cook's North American Financial Services Division.

Netscape Communications Corporation is a leading provider of open software for linking people and information over enterprise networks and the Internet. The company offers a full line of clients, servers, development tools and commercial applications to create a complete platform for next-generation, live online applications. Traded on Nasdaq under the symbol "NSCP," Netscape Communications Corporation is based in Mountain View, California.

Thomas Cook is an international leader in the provision of corporate foreign exchange services. In North America, the company provides tailored solutions to businesses using foreign currency drafts and wires, foreign check and wire collection and foreign currency forwards. The corporate foreign exchange division is part of the Thomas Cook Group, one of the world's foremost travel and financial services providers.

The Group operates the world's largest retail foreign exchange network, with bureaus in over 100 countries. Thomas Cook's North American Financial Services Division is headquartered in Toronto, Ontario.

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KEYWORD: NEW YORK CALIFORNIA

INDUSTRY KEYWORD: TRAVEL/AIRLINES COMED COMPUTERS/ELECTRONICS
INTERACTIVE/MULTIMEDIA/INTERNET BANKING PRODUCT

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7/9/4 (Item 4 from file: 15)
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Euro-CP takes to the Web

Peterson, Michael

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ABSTRACT: An often neglected corner of the debt capital markets, Euro-CP is proving a breeding ground for ideas that challenge the entire business model that has long been used for selling bonds. There is nothing inevitable about the current practice, in which the sales teams of a dozen different banks bombard investors with telephone calls proposing deals. It is the sort of sales-oriented business model commonly found in markets where products are highly differentiated, complicated and expensive. That is the logic behind several initiatives to shift parts of the debt market onto on-line systems which allow the investor to take the initiative.

TEXT: Those unassuming folk who work on the commercial paper desk of many banks are quietly tearing up the rule book about how debt securities are sold. An often neglected corner of the debt capital markets, Euro-CP is proving a breeding ground for ideas that challenge the entire business model that has long been used for selling bonds.

There is nothing inevitable about the current practice, in which the sales teams of a dozen different banks bombard investors with telephone calls proposing deals. It is the sort of sales-oriented business model commonly found in markets where products are highly differentiated, complicated and expensive, such as cars, telephone systems or personal pensions. But simpler, more standardized products are usually sold in quite a different way. A greengrocer, for example, puts his efforts into ensuring that fruit and vegetables are visible, clearly labelled and accessible and then simply waits for customers to pick up what they want.

That is the logic behind several initiatives to shift parts of the debt markets onto on-line systems which allow the investor to take the initiative. With dealer spreads falling to one or two basis points for many issues, the Euro-CP market is, apart from government debt, the most commoditized part of the debt markets.

Most investors care little about which issuer they lend to, so long as a borrower of the right credit rating can supply paper of the right maturity in the right currency (though it also helps if the borrower has already been approved by the investor's credit committee). They don't expect to pay much to the intermediary who puts them in touch with that issuer. As a result, it is becoming ever harder to justify the costs of employing a CP sales force.

Earlier this year Warburg Dillon Read took the plunge. The firm got rid of much of its CP sales force and set up a website to allow investors to see what levels borrowers are prepared to issue at on any given day. Some rivals dismiss the new system as no more than a gimmick designed to disguise Warburg's retreat from the CP market and suggest that the firm has lost market share since slashing its sales force. That is a suggestion Warburg fiercely denies, insisting that it remains committed to the CP market and that it has picked up business by using the new system.

Last month Barclays Capital launched its own Euro-CP website, but Louise

Mason, associate director at the firm, insists that Barclays will not be sacking sales staff. "If anything, we will be increasing our sales team," she says. And last month Warburg Dillon Read also launched an MTN website to complement its CP site, as the first step in a plan to extend the concept to new markets.

Colin Withers, head of EuroCP at Citibank, remains somewhat sceptical of internet-based trading systems. "Most clients want displays, but they still prefer to deal by telephone," he says.

But Stuart Clenaghan, executive director of fixed-income distribution at Warburg Dillon Read, believes the new websites offer a better service to investors than the old way of doing things. Previously, if an investor expressed an interest in buying, say, three-month sterling-denominated commercial paper yielding a certain level, a salesman would put together a list of potential issuers manually and fax it to the client. If there were no natural issuers of sterling in that maturity he would price in a currency swap, working out the rate on a calculator. The whole process could easily take 30 minutes.

Using either Warburg's or Barclays' websites an investor can quickly sort the list of CP borrowers by name, currency, credit rating and other criteria. But then comes the slow part. If the investor wants to trade, he still usually phones through his order.

The holy grail of web-based dealing is straight-through processing. Using Barclays' system the investor can make his order by e-mail and in the Warburg version he can communicate directly with the CP trader using a chat facility. But both systems fail the coffee-break test. If the bankers are taking a coffee break, the trade doesn't get done. But straight-through processing is tricky for legal rather than technical reasons. Unless the bank puts its own balance sheet on the line for every deal, each trade needs to be confirmed by the issuer. Both Mason and Clenaghan hint that they are working on ways to fully automate the process.

For now, these systems are more like window displays than weigh-and-pay vegetable stalls. And competitors scoff that they have had a perfectly adequate means for several years of letting investors know the levels issuers are prepared to trade at. Most banks post their levels on a Bloomberg page. But Clenaghan says Bloomberg does not have the flexibility of an HTML-based system. "The format on Bloomberg is limiting," he says. "Investors can sort it but it is more complicated than on our website."

Mason at Barclays Capital points out that only larger institutional investors have a Bloomberg screen. "We want all investors, including corporates for example, to have access to these prices," she says. "The internet is something that everyone has on their desks."

And what is more important, Bloomberg's system is geared up to use only one currency. Banks have to post a separate entry for the levels of each issuer in each currency. That is not a problem in the US domestic market where all trades are in dollars, but international investors often need to buy commercial paper in conjunction with a foreign exchange swap.

On their websites, Warburg Dillon Read and Barclays Capital allow spot and forward foreign exchange prices to feed into the CP prices, so an investor can get a price instantly for any combination of issuer and currency he chooses. If he wants to buy sixmonth British Telecom paper in euros, a currency BT would not normally issue, he can find a price.

Likewise, on Warburg's new website, MTN prices interact with interest rate swaps and currency basis swaps, to provide prices for issues swapped into the investor's preferred currency.

Where these websites differ from other attempts to move debt trading

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Set	Items	Description
S1	3	(FX OR FOREIGN()EXCHANGE) ()WEB()DEAL?
S2	38661	CANADIAN()IMPERIAL()BANK()COMMERCE? OR CIBC?
S3	3	S1 AND S2
S4	2	RD (unique items)

S5 335750 FOREIGN [REDACTED] (CURRENC? OR EXCHANG?)
S6 9191107 NETWORK? OR INTERNET?
S7 3809 S5(10N)S6
S8 3214576 FORWARD?
S9 16 S7(10N)S8
S10 11 RD (unique items)
S11 11 S10 NOT S3